



Final RMD Regulations: Focusing on Key Provisions

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The **IRA** *Whisperer*

Originally pulled in as temporary help during the height of IRA season, **Denise Appleby** took to IRAs “like a fish to water,” never looked back and eventually became renowned for her expertise.

Objectives

Be able to

- 🍏 Explain the final RMD regulations impacts on the A.L.A.R. rule
- 🍏 Identify which types of beneficiaries are subject to the 10-year rule
- 🍏 Identify beneficiaries who qualify for the automatic waiver of the excise tax on RMD failure
- 🍏 Explain the changes to Roth RMD requirements.

Presenter: Denise Appleby

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Denise is the author of: **The IRA Quick Reference Guide: A Compilation of IRA Quick Reference Guides** and creator of www.irapublications.com

Denise is an author, consultant, trainer, and speaker on the tax laws and operations compliance that govern IRAs and employer sponsored retirement plans.

Denise's consulting practice focuses on protecting retirement savings accounts from costly mistakes.

Denise works with advisors to help ensure that their clients avoid these mistakes, by simplifying the tax code and other governing rules and regulations. When possible, Denise helps to correct mistakes that have already been made and have helped individuals save from a few hundred to millions of dollars by avoiding and/or correcting mistakes.



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How it started

- 🍏 The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, Pub.L. 116–94, was signed into law on December 20, 2019, as part of the Further Consolidated Appropriations Act, 2020
- 🍏 SECURE Act
- 🍏 increased RMD starting age from 70 ½ to 72
- 🍏 added eligible designated beneficiaries after 2019
- 🍏 made life expectancy distributions for accounts inherited after 2019 available only eligible designated beneficiaries



How It's Going! Final RMD Regulations Issued

🍎 IRS final regulations
RMD regs July 19,
2024.


🍎 Incorporate rules
from
SECURE SECURE
2.0.



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New RMD Ages: 1959 YOB Now Proposed

Year/date of birth	Attained age relevant to RMDs	Applicable age When RMDs begin
June 30, 1949, and earlier	<ul style="list-style-type: none"> Attained age 70½ before 2020 	The year they attained age 70½
July 1, 1949–December 31, 1950	<ul style="list-style-type: none"> Attained age 70½ after 2019 Attained age 72 before 2023 	The year they attained age 72
January 1, 1951–December 31, 1958	<ul style="list-style-type: none"> Attain age 72 after 2022 Attain age 73 before 2032 	The year they attain age 73
January 1, 1959–December 31, 1959	<ul style="list-style-type: none"> Still at age 73 in 1959 	The year they attain age 73*
January 1, 1960, and after	<ul style="list-style-type: none"> Attain age 74 after 2032 	The year they attain age 75
The First RMD must be taken by April 1 of the year after the Applicable RMD Age.		
* SECURE Act 2 proposed regulations		




Roth Accounts are not like the rest!

- 🍏 No RMDs for owners.
- 🍏 Always for Roth IRAs. As of 2024 for Designated Roth accounts (DRAs)
- 🍏 Beneficiaries: Options always Death before either required beginning date (RBD)



SECURE Act 2.0

 Designated Roth Accounts (DRAs): Roth 401(k), Roth 403(b), Roth 457(b) accounts.

- Owners not subject to RMDs as of 2024
- Does not affect 2023 RMDs even if taken in 2024

 Now 'like' Roth IRAs



10 Year Rule is a lock

Waiver Ends 2024



The SECURE Act

- 🍏 The Setting Every Community Up for Retirement Enhancement (SECURE) Act
- 🍏 Signed into law on 12/20/2019 as part of the spending bill, Further Consolidated Appropriations Act, 2020
- 🍏 Generally effective as of January 1, 2020

SECURE Act Language

(i) In general. --Except in the case of a beneficiary who is not a designated beneficiary, subparagraph (B)(ii) -- ` ` (I) shall be applied by substituting ` 10 years' for ` 5 years', and ` ` **(II) shall apply whether or not distributions of the employee's interests have begun in accordance with subparagraph (A).**

(ii) Exception for eligible designated beneficiaries.

The Proposed RMD Regulations

🍏 Published February 24, 2022, *Federal Register*.

🍏 Interprets SECURE Act.

🍏 Effective January 1, 2022.

🍏 For 2021, the existing regulations apply, with a “reasonable, good faith interpretation” of the SECURE Act.

🍏 **Effective until final regulations are issued**

Proposed Regulations Shake Up Industry

Some required to take annual RMDs
under the 10-year rule

At **L**east **A**s **R**apidly (ALAR) rule still
applies

Waiver of Excise Tax For RMDs under SECURE Act 1.0 10-year rule.

- 🍏 Notice 2022-53: 2021 and 2022
- 🍏 Notice 2023-54: Extended to 2023
- 🍏 Notice 2024-35 : Extended to 2024



Designated Beneficiaries

Owner dies after 12/31/2019

Death on/after the RBD (**N/A for Roth IRAs**)

 10-Year rule **PLUS**

 Annual RMDs

Successor
Beneficiaries of
Eligible
Designated
Beneficiaries

Owner dies after 12/31/2019

- 🍏 Successor beneficiary of Eligible designated beneficiary who **was taking life expectancy distributions**
- 🍏 Eligible designated beneficiary includes pre-2020 designated beneficiaries

Caution: RMDs not Waived

- 🍏 Only the excise tax is waived. RMDs are not waived
- 🍏 Caution: Rollover from employer plans to IRA may not include RMDs






Asked and Denied

A.L.A.R. for designated beneficiaries



Caution: RMDs not Waived

-  Waiver ends: Excise tax applies to 2025 and after RMDs not taken
-  10-year rule still applies-no extension.
-  No 'catch-up' required

A photograph of a baseball game in progress. A player in a white pinstriped uniform and a dark helmet is sliding into a base, kicking up a cloud of dust. A catcher in a white uniform with red accents, including a red cap and red shin guards, is crouched and reaching out with his right hand to tag the sliding player. The background is a blurred view of a baseball field.

Marked safe from this
automatic waiver:

All other
beneficiaries!



Beneficiary Options Finalized



Classes of Beneficiary

	Pre-SECURE	SECURE 1.0	Definition/Comments
Beneficiary	✓	✓	<ul style="list-style-type: none"> ✓ Any party that inherits an IRA ✓ Named on the beneficiary form or determined to be the beneficiary under the terms of the plan document
Designated Beneficiary (DB)	✓	✓	<ul style="list-style-type: none"> ✓ A beneficiary who is an individual ✓ See-through trusts qualifies
Eligible Designated Beneficiary (EDB)	X	✓	<p>A designated beneficiary who is either of the following:</p> <ol style="list-style-type: none"> 1. The surviving spouse of the IRA owner 2. A child of the IRA owner who has not reached age 21 3. Disabled 4. Chronically ill 5. Does not fall under any of the above and is not more than 10 years younger than the IRA owner <p>Determined at the time of the IRA owner's death</p>
Nondesignated Beneficiary	✓	✓	<ul style="list-style-type: none"> ✓ Any beneficiary that is not a designated beneficiary (a non-individual)
Successor Beneficiary	✓	✓	<ul style="list-style-type: none"> ✓ Beneficiary who inherits from a beneficiary

See-Through Trust Is a Designated Beneficiary

To be a see-through trust, the trust must meet the following requirements:

- 🍏 (1) the trust is valid under State law or would be valid but for the fact that there is no corpus;
- 🍏 (2) the trust is irrevocable or will, by its terms, become irrevocable upon the death of the employee;
- 🍏 (3) the beneficiaries of the trust who are beneficiaries with respect to the trust's interest in the employee's benefit are identifiable; and
- 🍏 (4) the specified documentation requirements are satisfied.

See-Through Trust Documentation

The documentation requirements does not apply to IRAs

- 🍏(1) a copy of the actual trust instrument, or
- 🍏(2) a list of all the trust beneficiaries, including contingent beneficiaries, with a description of the conditions on their entitlement sufficient to establish who are the beneficiaries.
















Minor Child

🍏 Must be child or IRA owner /participant

🍏 Under age 21

🍏 Includes a stepchild, an adopted child, and an eligible foster child

Beneficiary Options: Pre-Secure Act & SECURE Act

	Pre-SECURE: IRA owner dies 12/31/2019 or earlier		SECURE: IRA owner dies after 12/31/2019	
	Death before the RBD	Death on/after the RBD (N/A Roth IRA)	Death before the RBD	Death on/after the RBD (N/A Roth IRA)
Designated Beneficiary	 5-year rule  Beneficiary's life expectancy	 Longer of Beneficiary's or decedent's life expectancy	 10-year rule	 Beneficiary's life expectancy &  10 Year rule
Eligible Designated Beneficiary	 N/A	 N/A	 Beneficiary's life expectancy or  10 Year rule	 Longer of Beneficiary's or decedent's life expectancy
Nondesignated beneficiary	 5-year rule	 Decedent's life expectancy	 5-year rule	 Decedent's life expectancy

No Documentation Required for EDB of IRAs

- 🍏 Disabled or chronically ill beneficiaries must provide documentation to plan administrators.
- 🍏 This requirement does not apply to IRAs (a change from the proposed regulations)

Older EDB Safe from Their Own LE

🍏 Proposed RMD Regulations required post RBD older Eligible Designated Beneficiary to end distributions by end of owner's single life expectancy

🍏 Final RMD regulations remove restriction



RMD for Year of Death

- 🍏 Multiple beneficiaries: Can be taken by one or more beneficiaries
- 🍏 Multiple IRAs: prorated among IRAs

RMD for Year of Death: Waiver of Excise Tax

- 🍏 Calculated as if owner lived through to the end of the year
- 🍏 Any shortage must be taken by beneficiary
 - 25% excise tax (reduced from 50% under SECURE Act 2.0 a/o 2023).
- 🍏 Excise tax automatically waived if distributed by the later of:
 - the tax filing deadline for the year in which the owner /participant died and
 - the end of the following calendar year (*proposed regs was tax filing due date plus extensions*).

Spouse Treat as own Deadline Removed

 Proposed: Deadline is the later of:

- (1) the end of the calendar year in which the surviving spouse reaches applicable age, and
- (2) the end of the calendar year following the calendar year of the IRA owner's death.

surviving spouse still would be permitted to roll over distributions to the spouse's own IRA except for hypothetical RMDs

 Final regulations **eliminate the deadline**

 Hypothetical RMD rule still apply



More to come

Key Takeaways

- 🍏 The regulations are final. No more wait and see.
- 🍏 The at least as rapidly rule was never been and still has not been repealed.
- 🍏 The rules vary among the classes of beneficiaries.
- 🍏 RMD shortfalls are subject to excise tax but can be waived under qualifying circumstances.
- 🍏 Rollovers cannot include RMDs.



Thank you for your time and attention



Questions?



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